

**MINUTES
of the
FIFTH MEETING
of the
NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE**

**November 20, 2003
Room 307, State Capitol
Santa Fe**

The fifth meeting of the New Mexico finance authority oversight (NMFA) committee was called to order by Representative Daniel P. Silva, chair, on November 20, 2003 at 10:25 a.m. in room 307, state capitol. The committee approved the minutes of the previous meetings without objection.

PRESENT

Rep. Daniel P. Silva, Chair
Sen. Manny M. Aragon
Sen. Clinton D. Harden, Jr.
Rep. Dona G. Irwin
Rep. Brian K. Moore
Sen. Mary Kay Papen
Rep. Henry Kiki Saavedra
Sen. H. Diane Snyder
Rep. Don Tripp

Advisory Members

Rep. Mary Helen Garcia
Rep. Roberto "Bobby" J. Gonzales
Rep. Ben Lujan
Sen. Bernadette M. Sanchez
Rep. Edward C. Sandoval
Rep. Luciano "Lucky" Varela

ABSENT

Sen. Pete Campos, Vice Chair
Sen. Don Kidd
Rep. Earlene Roberts
Sen. Shannon Robinson
Sen. Nancy Rodriguez
Rep. Raymond M. Ruiz
Rep. Sheryl Williams Stapleton

Rep. Donald E. Bratton
Rep. Jose A. Campos
Rep. Anna M. Crook
Sen. Dianna J. Duran
Sen. Joseph A. Fidel
Sen. Mary Jane M. Garcia
Sen. Stuart Ingle
Sen. Leonard Lee Rawson
Sen. Richard M. Romero
Rep. James G. Taylor
Rep. Robert White

Staff

Jon Boller
Renee Gregorio
Alfred Creecy

Thursday, November 20

CITY OF SANTA FE PROJECTS

Santa Fe Mayor Larry Delgado welcomed the committee to Santa Fe and thanked the committee for inviting the city to address the committee. The mayor explained that the city gets 40 percent of its water from surface sources, and that the reservoirs are currently at only 52 percent capacity. However, five new wells in the Buckman well field will be ready for use in a couple of weeks and the city will soon accept bids on the design of a \$100 million diversion/treatment plant project that will supply the city with its portion of San Juan/Chama water. He noted that the city has already issued \$11 million in bonds for water projects this year. In answer to questions from the committee, Mayor Delgado reviewed the city's conservation efforts, water use and a forest thinning project in Santa Fe's watershed. Committee members suggested that the city cooperate in regional water planning with Santa Fe and Rio Arriba counties.

WATER AND WASTEWATER GRANT FUND

David Harris, NMFA executive director, and Carlos Romero, NMFA director of intergovernmental relations, presented the committee with an overview of the water and wastewater grant fund program, explaining how communities may qualify for grants and the current status of fund balances. Mr. Harris said that there is approximately \$6.5 million left in the fund, but that the fund balances will likely be exhausted this year. Members questioned how the NMFA evaluates the viability of water systems and whether there is follow-up to ensure that those systems would not have to come back for more money due to poor financial management of the system. It was suggested that there be a requirement that small water systems maintain capital replacement and maintenance accounts for system replacement in the long term.

ANTI-DONATION AND CAPITAL PROJECTS

Robbie Heyman, bond counsel for the state, outlined the process and standards by which capital projects are evaluated before money for any particular project is distributed. To avoid violating the state constitution's anti-donation provision, he explained that a project must be owned by a public entity rather than a private or nonprofit entity. In accordance with legislative mandates, the public entity must also want the money and within six months sign a contract committing at least five percent of the funds to the project; the project must be completed within three years of the grant of funds. Mr. Heyman noted that bonds are not sold for a project until it is certified and construction can begin. Other issues discussed by Mr. Heyman included the average life of bonds issued for capital projects (10 years) and arbitrage rebate payments.

ADMINISTRATION AND MONITORING OF CAPITAL OUTLAY PROJECTS

Christine Chavez and Linda Kehoe from the legislative finance committee, George

McGeorge from the state auditor's office, Mark Valdez, director of the state board of finance, and Debbie Romero, capital projects coordinator, state budget division, department of finance and administration, followed up on their previous report to the committee concerning the administration and monitoring of capital outlay project funds. Some agencies have improved the tracking of capital funds under their purview by as much as 90 percent since last February. Members complimented those agencies on their progress and suggested that it may be necessary to have one office be responsible for tracking all projects and project funds in order to better account for the expenditure of capital outlay.

PUBLIC PROJECT REVOLVING FUND INTEREST RATES

Harrold Kious, president of Kious and company, a locally owned in-state bond company, took issue with the NMFA's ability to offer interest rates at below market rates and even below cost. He said that his company could not compete in the municipal bond market in New Mexico if the NMFA was allowed to offer such low rates. Mr. Kious suggested that legislation be introduced that would make the NMFA operate more like the New Mexico mortgage finance authority.

The meeting was adjourned at 4:45 p.m.